

Key Themes

It's going to be a relatively lighter week for treasury issuance – the US Treasury will auction and settle approx. \$171b in short-term bills, raising approx. \$11b in new money. The 4wk and 8wk bill amounts are yet to be announced.

This week, Chairman Powell testifies on the US Economic Outlook to the Congress Joint Economic Committee. We'll be looking for further signalling on the economic outlook and possibly any commentary on the weaker core PCE inflation growth from last week. There are several other FOMC member speeches this week. The key US data release this week will be non-farm payrolls. Also; the ISM reports, PMI's and mortgage applications.

PMI's will be released this week for the US, Europe, UK and Asian economies – helping to gain a handle on growth momentum in Q4.

There is a large amount of European data out this week and will be an important follow-up to answering whether current weakness is transitory in nature. This will feed into the ECB assessment at the Dec rate meeting.

Rates decisions for the RBA and BoC this week.

Australian Q3 GDP and retail sales data this week. We'll be looking for further signs of impact from the slowing housing market.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A lighter week for Treasury issuance this week.

The US Treasury will auction and settle approx. \$171b in short term bills, raising approx. \$11b in new money.

The 4wk and 8wk bills are yet to be announced and, based on revisions over the last few weeks, could add a further \$10b for the week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
3-7 Dec 2018	04-Dec	06-Dec	4 week bill	45			TBA	
	04-Dec	06-Dec	8 week bill	25			TBA	
	03-Dec	06-Dec	13 week bill	39			Announced	
	03-Dec	06-Dec	26 week bill	36			Announced	
	04-Dec	06-Dec	52 week bill	26			Announced	
				171	160	11		

Securities maturing on the Fed balance sheet in December

In December, \$18.209b of securities on the Fed balance sheet will mature. As the monthly cap (for the roll-off of maturing securities) is \$30b, there will be no reinvestments.

15 Dec; no securities maturing

31 Dec; \$18.209b in securities will mature. As this is under the \$30b cap, the full amount will roll off the Fed balance sheet.

Data is available at https://www.newyorkfed.org/markets/soma/sysopen_accholdings.html and the face value of maturing securities (in Fed SOMA) is also provided on the Treasury Direct auction announcements.

Monday 3 December 2018

US – PMI Manufacturing Index (Nov), ISM Manufacturing Index (Nov)

US Fed speeches; "Evolving Structure of the U.S. Treasury Market" fourth annual conference in New York - Williams, Brainard

Japan – Manufacturing PMI (Nov)

China – Caixin Manufacturing PMI (Nov)

Eurozone – Manufacturing PMI (Nov), Germany Manufacturing PMI (Nov)

Tuesday 4 December 2018

US – Motor Vehicle Sales (Nov), ISM NY Business Conditions Index (Nov)

US Fed speeches; Williams to deliver opening remarks & answer questions on a panel of New York Fed economists on forces driving labor market tightness, types of jobs gained and wage trends in New York

Australia – RBA Interest Rate Decision, Q3 GDP

UK – BoE Carney speech

Japan – Services PMI (Nov)

China – Caixin Services PMI (Nov)

Wednesday 5 December 2018

US Stock Market Closed

US – ADP Employment Report (Dec), Productivity and Costs Q3, PMI Services Index (Nov), ISM Non-Manufacturing PMI (Nov), Mortgage Applications (30 Nov)

US FED Chairman Powell to testify on "The Economic Outlook" before Congress Joint Economic Committee

Speech - Vice Chairman for Supervision Randal K. Quarles; Banking Conditions in the West, at State of the West 2018: Investing in the Future West - Banks and Infrastructure, Stanford, Calif.

Europe – Eurozone Services PMI (Nov), Germany Services PMI (Nov), Eurozone Retail Sales (Oct)

UK – Services PMI (Nov)

Canada – BoC Rate Decision

Australia – Retail Sales (Oct)

Thursday 6 December 2018

US – Challenger Job Cut Report (Nov), International Trade (Oct), Factory Orders (Oct)

US Fed speeches; Chairman Powell, Brief Welcoming Remarks, at the Housing Assistance Council's Rural Housing Conference, Washington

Europe – Germany Factory Orders (Oct)

Friday 7 December 2018

US – Employment Report (Nov), Wholesale Trade (Oct), Consumer Credit (Oct)

US Fed speeches; Brainard, Financial Stability, at the Peterson Institute for International Economics, Washington, D.C.

Europe – Germany Industrial Production (Oct), Eurozone Q3 GDP, Eurozone Employment Change Q3

Canada – Employment Report (Nov)

China – Trade Balance data (Nov)

Trade & Brexit

US-China Trade Negotiations

The focus now turns to the schedule of meetings to address key issues over the next 90-days. No detail available at this stage.

NAFTA/USMCA

The deal now needs to be submitted to the U.S. Congress for approval. Given mid-term election results, the deal is still likely to gain approval in Congress.

The joint statement can be found on the USTR website; <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/joint-statement-united-states>

US-Japan Trade Talks

A hearing is now scheduled to take place on 10 Dec 2018 on the negotiating objectives for a US-Japan trade agreement. Talks are likely to start in Jan 2019.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>)

<https://www.federalregister.gov/documents/2018/10/26/2018-23569/request-for-comments-on-negotiating-objectives-for-a-us-japan-trade-agreement>

Section 232 – Car and Truck Imports

Announcement last week that GM is planning a program of cost cutting including closing seven plants and firing 15% of its workforce – save \$6b by the end of 2020 (\$4.5b from cost cutting and \$1.5b from lower capital spending).

<https://www.prnewswire.com/news-releases/general-motors-accelerates-transformation-300755112.html>

Question is whether this will impact the deliberations on auto tariffs. There is a process that got underway back in May to investigate the S.232 claim. Public hearings have been concluded and the report continues to circulate. President Trump has 90 days after receiving the report to decide whether to act if the final report concludes that auto imports are a threat to national security.

It has also been reported that heads of German carmakers will meet at the White House on Tuesday to lobby the Commerce Secretary Wilbur Ross and USTR Lighthizer to convince the US to not go ahead with the threatened duties.

<https://www.france24.com/en/20181202-german-carmakers-hold-white-house-talks-tuesday-sources>

At the very least, it is likely that the threat will remain in place as the trade negotiations get underway;

The White House has pledged not to move forward with imposing tariffs on the European Union or Japan as long as it is making constructive progress in trade talks.

<https://www.straitstimes.com/world/united-states/tariff-proposals-on-imported-cars-and-parts-given-to-white-house>

US-Europe Trade Talks

Official notification of trade talks was sent to the US Congress three weeks ago (also notifying the US Congress of the intention to commence trade talks with Japan and the UK).

Formal consultation for the US-EU negotiations has now been announced on the US Federal Register

<https://www.federalregister.gov/documents/2018/11/15/2018-24979/request-for-comments-on-negotiating-objectives-for-a-us-european-union-trade-agreement>

A public hearing has been set for 14 Dec for input into the negotiating objectives for the US-EU trade negotiations.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>)

US-UK Trade Talks

A formal request has now been posted on the US Federal Register for comments on the negotiating objectives for a US-UK trade agreement.

<https://www.federalregister.gov/documents/2018/11/16/2018-24987/request-for-comments-on-negotiating-objectives-for-a-us-united-kingdom-trade-agreement>

A public hearing has been scheduled for 29 Jan 2019 on the negotiating objectives for the US-UK trade talks.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin. (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>).

BREXIT

The UK Parliament vote on the Brexit deal is expected to take place next week on 11 Dec 2018.

Announcement; http://europa.eu/rapid/press-release_IP-18-6424_en.htm

Comprehensive factsheet; http://europa.eu/rapid/press-release_MEMO-18-6422_en.htm

Q&A Protocol on Ireland and Northern Ireland; http://europa.eu/rapid/press-release_MEMO-18-6423_en.htm